



King County

# **REVISED FORECASTS FOR THE 2012 KING COUNTY BUDGET**

**Briefing to the King County  
Forecast Council**

**Sept. 1, 2011**

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Office of Economic and Financial Analysis**



# Briefing outline

- **Economic context**
- **Revenue review**
- **Major forecasts**



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# President Obama's American Jobs Act

## Economic context

Here's what the "Big Three" non-partisan commercial forecasting services have to say about the plan:

- **Global Insight** – 1.4% increase in GDP and 900,000 new jobs
- **Moody's Analytical Services** – 2% increase in GDP, 1.9 million new jobs, reduce unemployment by 1%
- **Macroeconomic Advisors** – 1.5% increase in GDP, 2.1 million new jobs.



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# Full bill unlikely to pass

## Economic context

- Only parts have a chance of getting bipartisan support.
- Those parts that can be framed as **tax cuts** have a good chance of passing, e.g., payroll tax cuts.
- Anything that is framed as “**new stimulus**” will have a much tougher time, e.g., new infrastructure projects.
- All three services say the impact from what is likely to pass will be far less than if fully enacted.

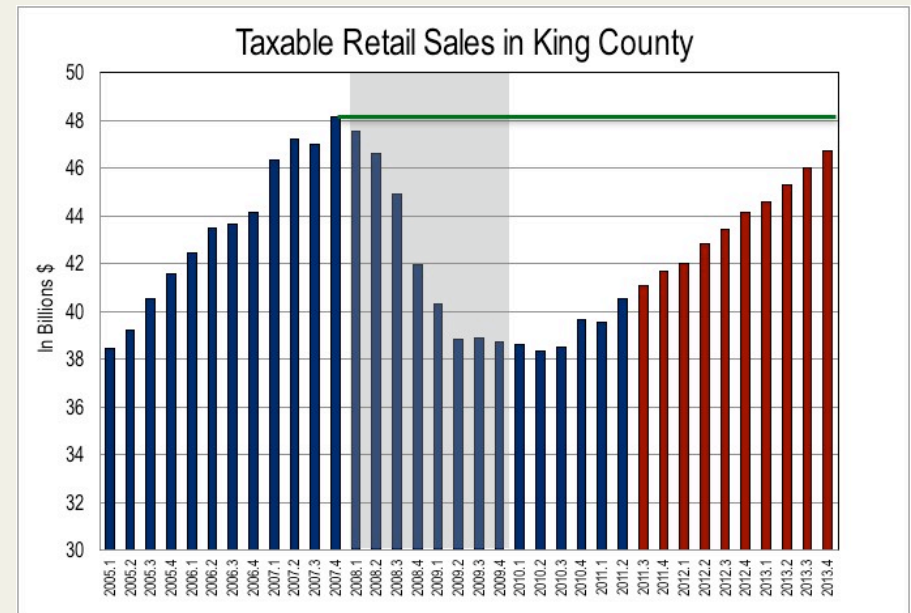
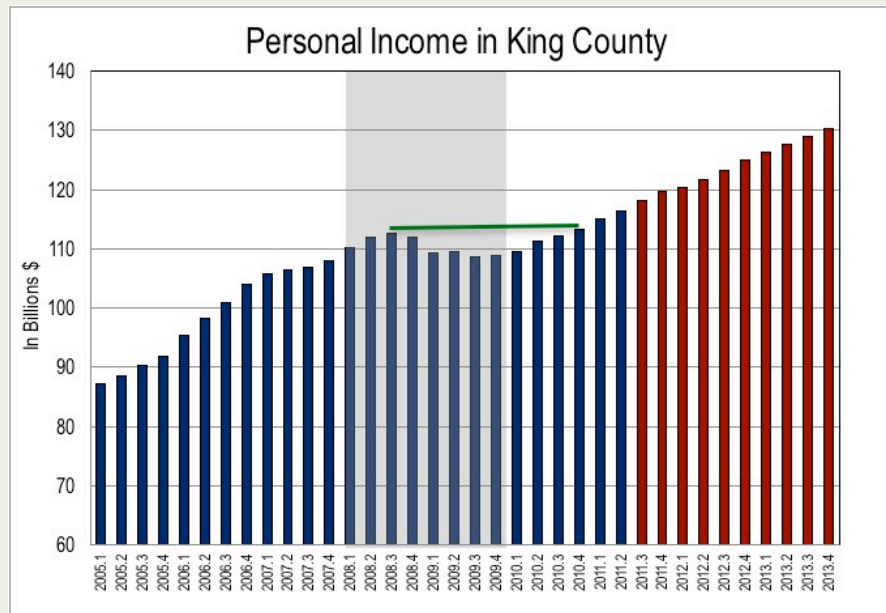


# Incomes have returned to pre-recession levels, but not retail spending

## Economic context

Income levels have surpassed their pre-recession highs.

Taxable sales, on the other hand, are nowhere near their previous levels.



Blue = Actual Red = Forecasted

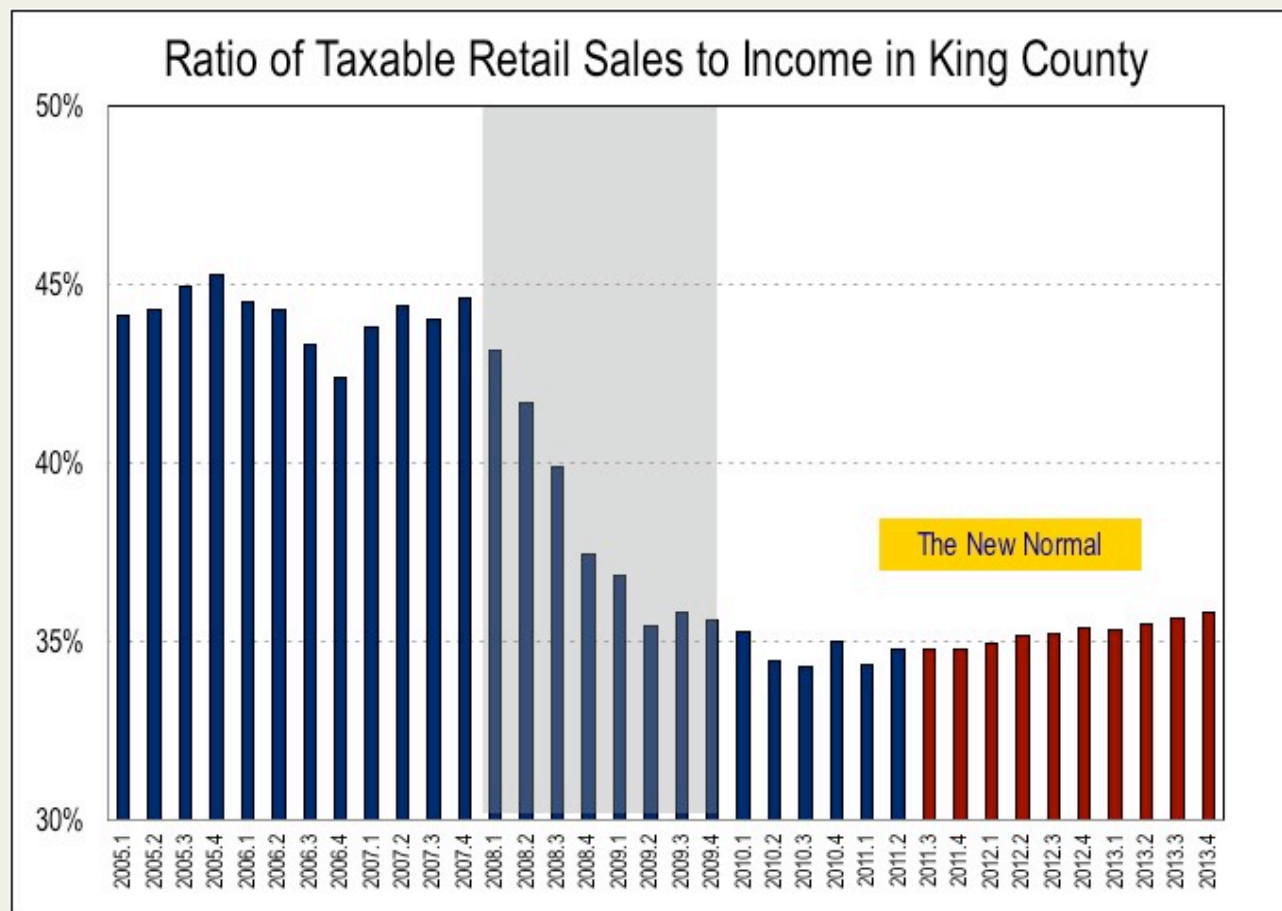


# The spending rate will likely stay down for the foreseeable future...

## Economic context

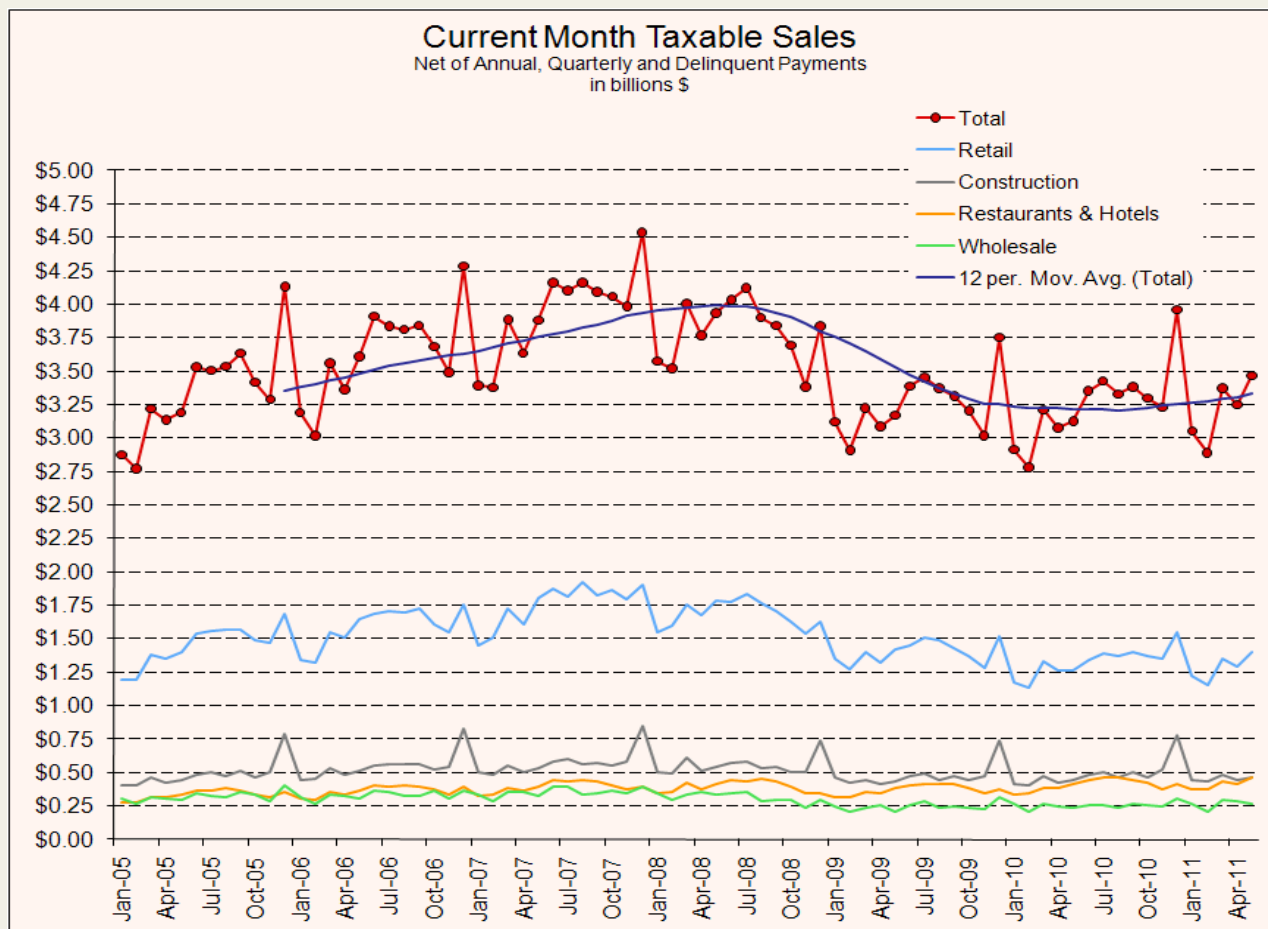
Consumers very cautious: their home equity is down, so are their retirement plans

Uneven recovery: greatest income growth in top tier





## Construction still lagging





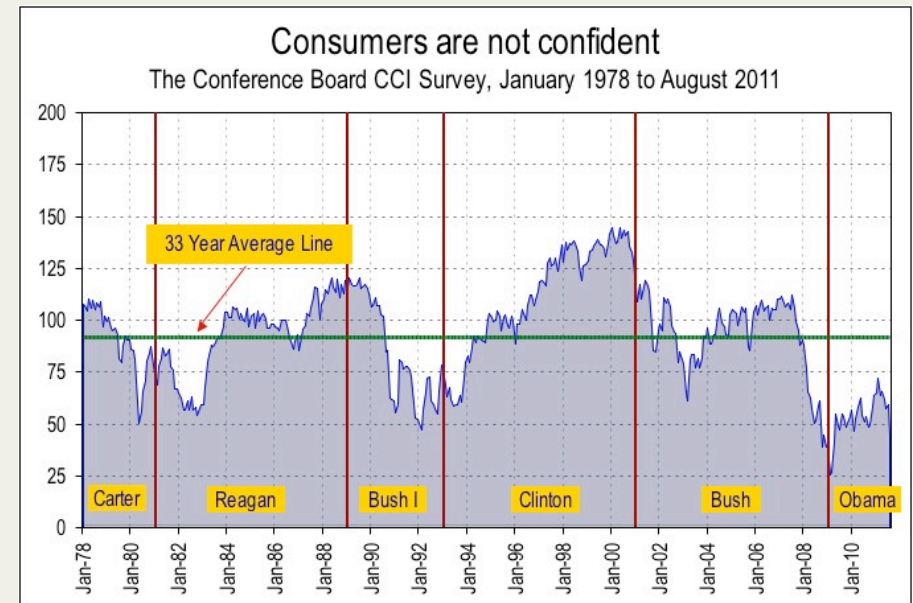
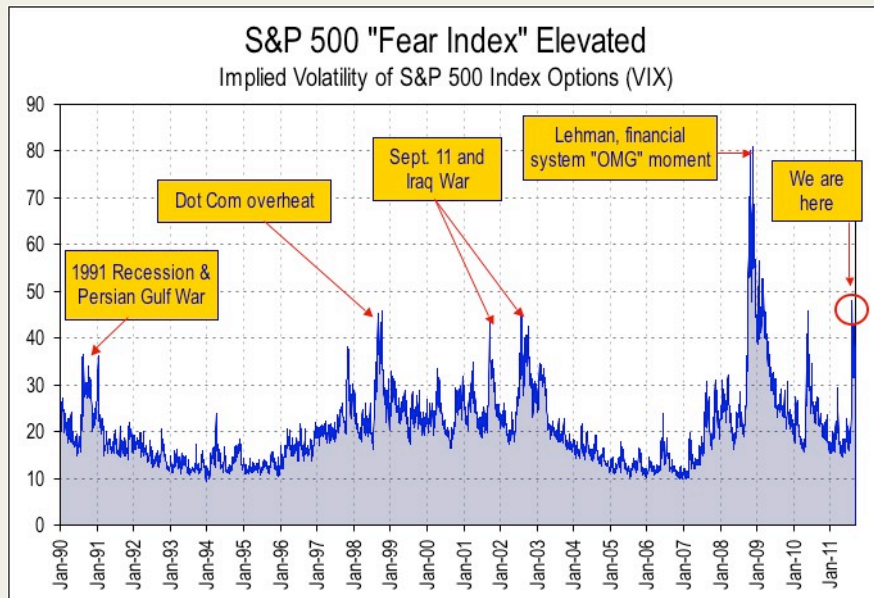
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# Markets are fearful, consumers timid

## Economic context

Expected volatility of the S&P 500 through the options market – a near-term measure of future risk as perceived by investors.

August consumer confidence index value drops to 45. The 33 year average survey rating is just over 92.





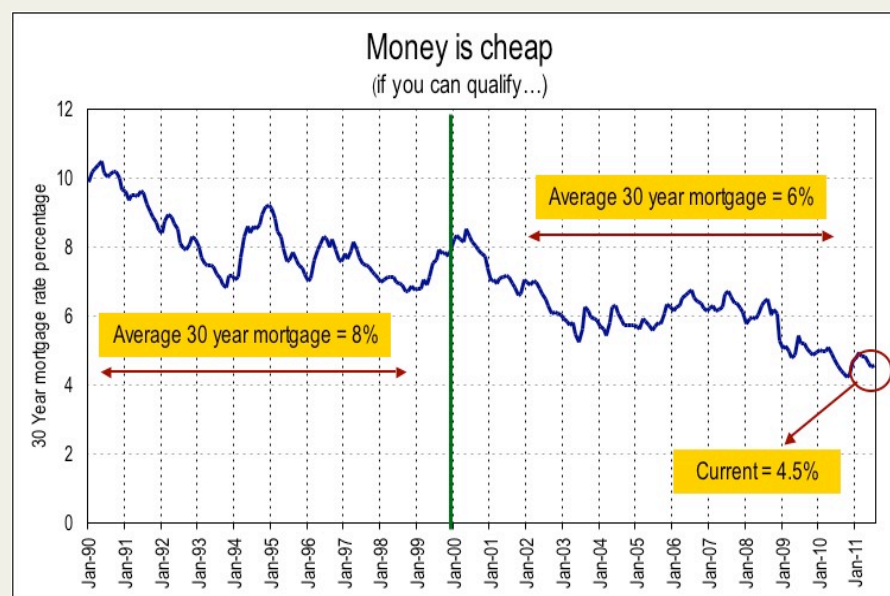
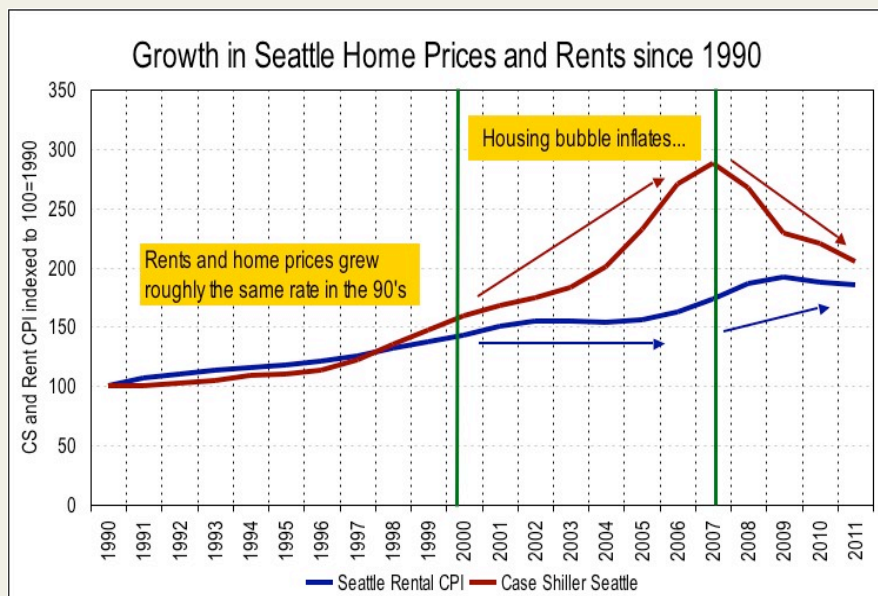


# Buying a house is more affordable of late, if you can qualify that is...

## Economic context

Rents increased during the housing bubble collapse. Buying a house could be an attractive option if prices stabilize and rents continue to rise.

Mortgage rates are at all time lows, propping up an anemic housing market. We don't anticipate rates increasing anytime soon.



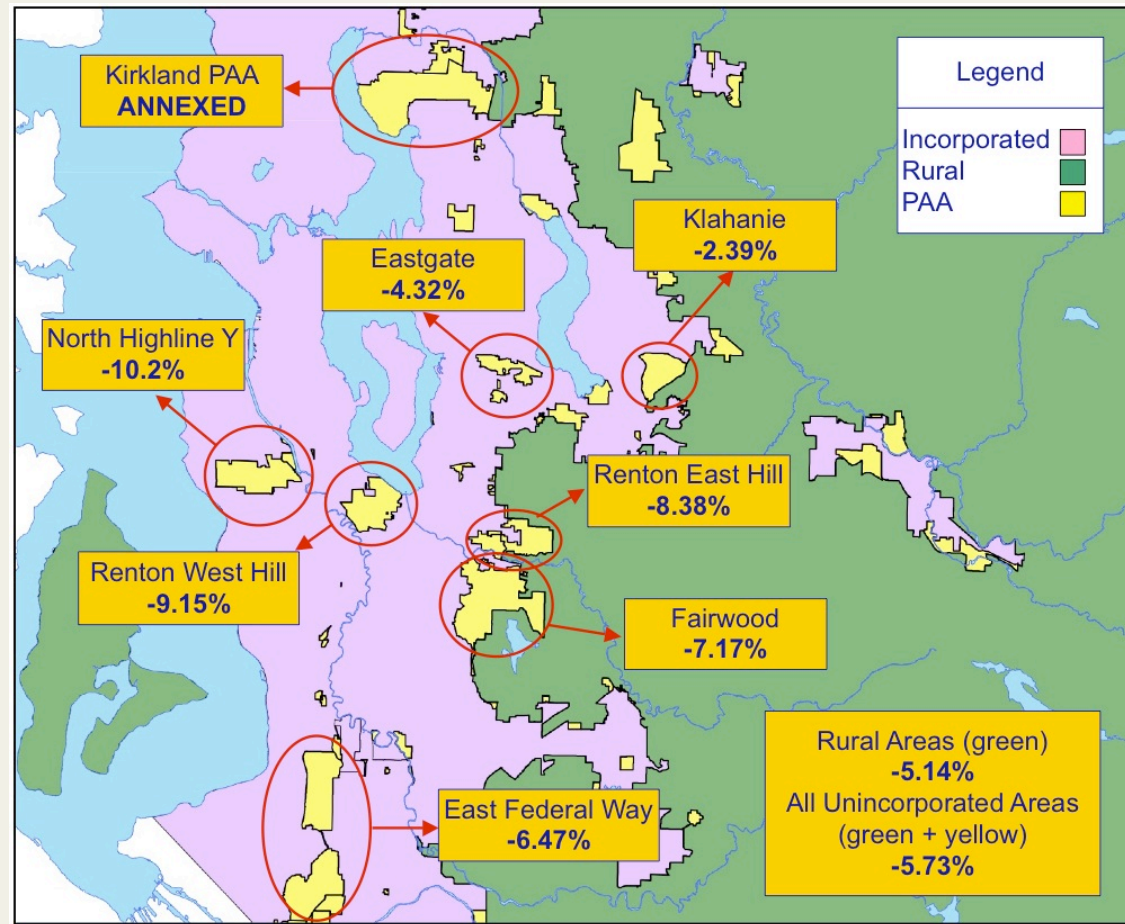


# Assessed valuation of unincorporated areas down year-on-year

## Economic context

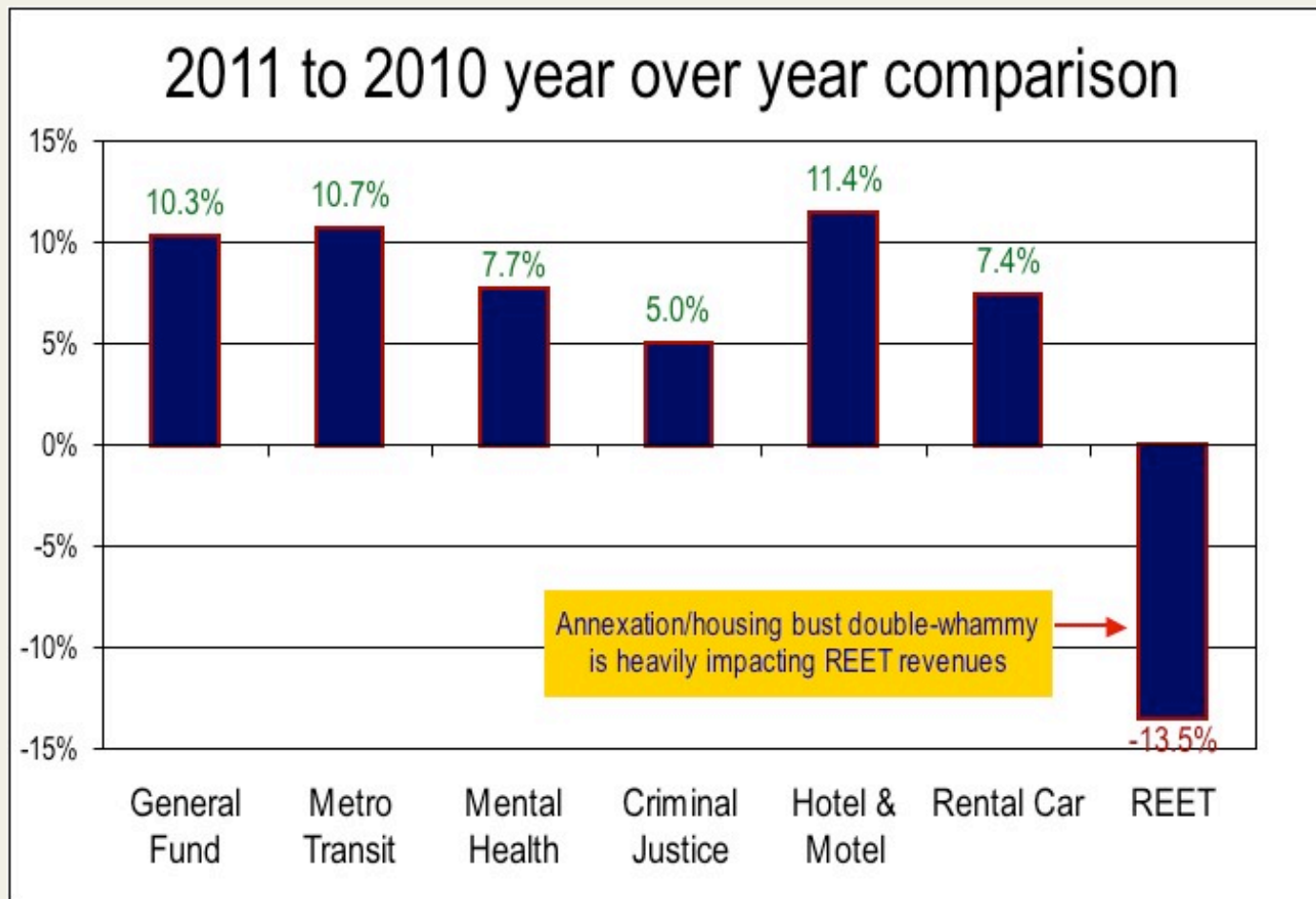
More than 85%  
of assessments  
done (9/9/2011)

Real property is  
down -5.73%



# At a glance: Where we are compared to last year at this time

## Revenue review



# Draft Forecasts

## Assumptions

65% Confidence Level – 65% chance revenues will come in higher than forecasted

All potential annexation areas are assumed to occur on schedule:

|                           |             |
|---------------------------|-------------|
| North Highline Y (1-1-13) | Pop. 17,553 |
| Renton West Hill (1-1-13) | Pop. 15,645 |
| East Federal Way (1-1-15) | Pop. 20,925 |
| Eastgate (1-1-15)         | Pop. 4,958  |
| East Renton (1-1-15)      | Pop. 6,308  |
| Klahanie (1-1-15)         | Pop. 10,674 |



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# Transit Sales Tax Forecast

## Forecasts

**The amnesty injection has boosted prospects for this year.**

**2012 growth and beyond are more sluggish because of the economic outlook.**

### 2012 Revised Metro Transit Sales Tax Forecast

Office of Economic and Financial Analysis

September 1, 2011

| Year | Value       | Change  |
|------|-------------|---------|
| 2005 | 341,149,234 | 8.58%   |
| 2006 | 367,263,689 | 7.65%   |
| 2007 | 442,042,300 | 20.36%  |
| 2008 | 432,934,213 | -2.06%  |
| 2009 | 376,904,266 | -12.94% |
| 2010 | 375,199,114 | -0.45%  |
| 2011 | 402,193,472 | 7.19%   |
| 2012 | 413,190,299 | 2.73%   |
| 2013 | 431,894,244 | 4.53%   |
| 2014 | 455,635,871 | 5.50%   |
| 2015 | 484,038,417 | 6.23%   |



# General Fund and CFS Sales Tax Forecast

## Forecasts

The amnesty injection has boosted prospects for this year.

2012 and beyond are down slightly because of the economic outlook.

### 2012 Revised Local and Option Sales Tax Forecast

Office of Economic and Financial Analysis

September 1, 2011

| Year | Value      | Change  | Annexation Adjustments  |
|------|------------|---------|---|
| 2005 | 78,015,175 | 7.48%   |   |
| 2006 | 83,477,704 | 7.00%   |   |
| 2007 | 91,912,631 | 10.10%  | Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07)                    |
| 2008 | 87,672,896 | -4.61%  |   |
| 2009 | 76,142,480 | -13.15% |   |
| 2010 | 76,040,263 | -0.13%  | North Highline X (4-1-10), Pantherlake (7-1-10)                                       |
| 2011 | 79,379,311 | 4.39%   | Juanita-FinnHill-Kingsgate (6-1-11)   |
| 2012 | 80,863,449 | 1.87%   |   |
| 2013 | 82,840,795 | 2.45%   | North Highline Y (1-1-13), Renton West Hill (1-1-13)                                  |
| 2014 | 87,394,630 | 5.50%   |   |
| 2015 | 90,383,476 | 3.42%   | East Federal Way (1-1-15), Eastgate (1-1-15), East Renton (1-1-15), Klahanie (1-1-15) |





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# Assessed Value Forecast

## Forecasts

**Residential  
taking the  
biggest hit this  
year.**

**Lower interest  
rate outlook is  
favorable to AV**

## 2012 Revised Countywide Assessed Value Forecast

Office of Economic and Financial Analysis

September 1, 2011

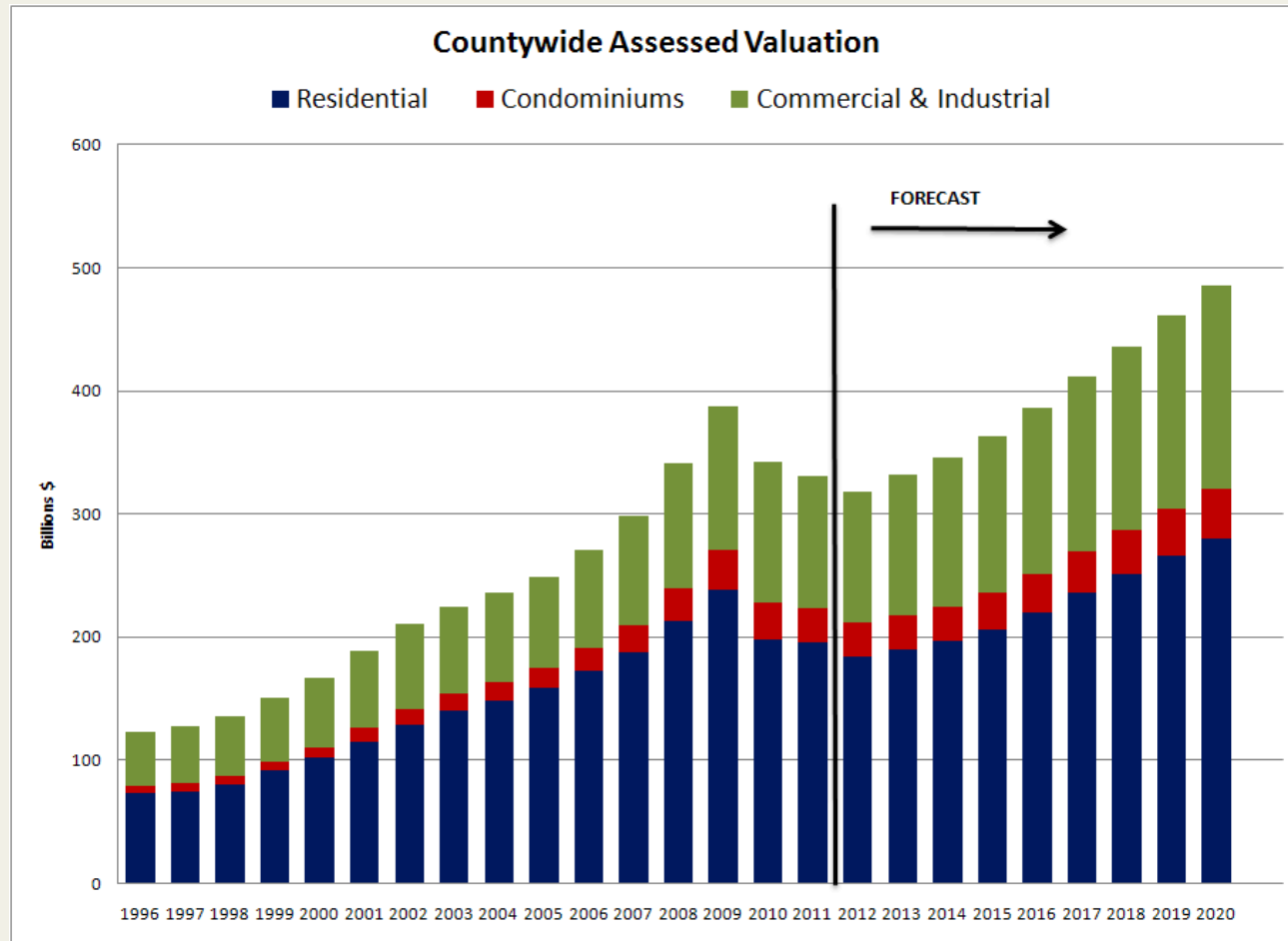
| Tax Year | Value           | Change  |
|----------|-----------------|---------|
| 2005     | 248,911,782,339 | 5.55%   |
| 2006     | 270,571,089,668 | 8.70%   |
| 2007     | 298,755,199,059 | 10.42%  |
| 2008     | 340,995,439,577 | 14.14%  |
| 2009     | 386,889,727,909 | 13.46%  |
| 2010     | 341,971,517,465 | -11.61% |
| 2011     | 330,414,998,614 | -3.38%  |
| 2012     | 315,769,736,483 | -4.43%  |
| 2013     | 326,827,616,231 | 3.50%   |
| 2014     | 343,130,867,583 | 4.99%   |
| 2015     | 360,341,724,386 | 5.02%   |



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# Assessed Value Forecast

## Forecasts







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# New Construction Forecast

## Forecasts

**Lower interest rates should boost construction a bit next year**

**But lower economic growth will be a headwind**

### 2012 Revised Countywide New Construction Forecast

Office of Economic and Financial Analysis

September 1, 2011

| Tax Year | Value         | Change  |
|----------|---------------|---------|
| 2005     | 4,292,400,000 | 2.18%   |
| 2006     | 4,964,300,000 | 15.65%  |
| 2007     | 5,950,400,000 | 19.86%  |
| 2008     | 6,663,100,000 | 11.98%  |
| 2009     | 8,005,200,000 | 20.14%  |
| 2010     | 5,205,200,000 | -34.98% |
| 2011     | 2,581,310,544 | -50.41% |
| 2012     | 1,784,883,880 | -30.85% |
| 2013     | 2,025,345,870 | 13.47%  |
| 2014     | 2,234,921,877 | 10.35%  |
| 2015     | 2,605,476,211 | 16.58%  |



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# Roads Assessed Value

## Forecasts

**Juanita, Finn Hill, and Kingsgate (JFK) annexation to Kirkland will take a big chunk out of the Roads AV**

**Without the JFK annexation, 2012 would be down only about -6%**

### 2012 Revised Unincorporated Assessed Value Forecast Office of Economic and Financial Analysis September 1, 2011

| Tax Year | Value          | Change  | Annexation Adjustments   |
|----------|----------------|---------|--|
| 2005     | 38,388,375,100 | 6.63%   |  |
| 2006     | 41,286,880,590 | 7.55%   |  |
| 2007     | 45,145,645,420 | 9.35%   |  |
| 2008     | 50,369,419,770 | 11.57%  | Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07) |
| 2009     | 52,536,624,390 | 4.30%   |  |
| 2010     | 43,743,564,380 | -16.74% |  |
| 2011     | 39,449,376,050 | -9.82%  | North Highline X (4-1-10), Pantherlake (7-1-10)                    |
| 2012     | 33,082,092,913 | -16.14% | Juanita-FinnHill-Kingsgate (6-1-11)                                |
| 2013     | 33,853,949,503 | 2.33%   |  |
| 2014     | 32,619,120,013 | -3.65%  | North Highline Y (1-1-13), Renton West Hill (1-1-13)               |
| 2015     | 34,284,966,489 | 5.11%   |  |



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# Roads New Construction

## Forecasts

**JFK annexation to Kirkland has a huge impact**

**Lower interest rates improve prospects for 2013**

### 2012 Revised Unincorporated New Construction Forecast Office of Economic and Financial Analysis September 1, 2011

| Tax Year | Value         | Change  | Annexation Adjustments   |
|----------|---------------|---------|--|
| 2005     | 1,012,943,672 | 29.71%  |  |
| 2006     | 898,303,083   | -11.32% |  |
| 2007     | 1,051,911,167 | 17.10%  |  |
| 2008     | 938,271,172   | -10.80% | Auburn West Hill (1-1-07), Lea Hill (1-1-07), Benson Hill (3-1-07) |
| 2009     | 821,583,000   | -12.44% |  |
| 2010     | 304,665,097   | -62.92% |  |
| 2011     | 267,511,475   | -12.19% | North Highline X (4-1-10), Pantherlake (7-1-10)                    |
| 2012     | 164,374,476   | -38.55% | Juanita-FinnHill-Kingsgate (6-1-11)                                |
| 2013     | 186,519,229   | 13.47%  |  |
| 2014     | 189,158,530   | 1.42%   | North Highline Y (1-1-13), Renton West Hill (1-1-13)               |
| 2015     | 220,521,377   | 16.58%  |  |

Questions?